

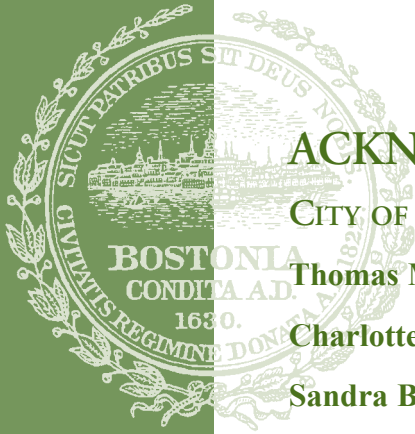
Leading the Way II

Pre-Completion Report

March 31, 2007

Thomas M. Menino
Mayor





ACKNOWLEDGEMENTS

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April 2007

Dear Friends,

Seven years ago, I announced the creation of *Leading the Way*, a comprehensive three-year housing strategy designed to increase the production of new, affordable housing within the city of Boston. We established ambitious goals, pledging to build 7,500 units and to preserve 10,000 more. When *Leading the Way* concluded in 2003, the Boston Housing Authority (BHA), the Boston Redevelopment Authority (BRA) and the Department of Neighborhood Development (DND) proved that city government can truly work together, under the direction of a supportive administration, to not only achieve its goals, but to exceed them in some cases.



However, the reality for many of Boston's working families is that homeownership and affordable rentals continue to be out of reach. In 2003, it took an income of \$105,000 to buy a home in the City of Boston, exactly double the income of the average Bostonian. With the economy in decline, and 100,000 jobs lost in the Greater Boston area in 2002-2003, the need for affordable housing was ever-increasing, despite our best efforts. As a result, a second Advisory Panel on housing was convened to assess what strategies had been successful previously, and to help us account for the new fiscal constraints at the Local, Federal and State levels. Throughout this process, my administration remained dedicated to the principles that made *Leading the Way* such a great success.

When *Leading the Way II* was announced, we committed ourselves to a new cross-Cabinet collaboration with goals to build 10,000 units of new housing (2,100 of which would be affordable), and to preserve 3,000 units of affordable rental housing. In addition, we committed to expand the City's efforts to protect our most vulnerable citizens, our homeless, and to increase efforts to ensure that the economic downturn did not destabilize the neighborhoods that had made such impressive strides forward in the previous years.

As we convene *Housing Boston 2012*, a five-year housing strategy for Boston, I am pleased to report that despite the challenges, we have achieved almost all of the goals we established. 10,484 new housing units have been permitted, and 2,111 of those are affordable. 3,322 units of affordable rental housing have been preserved, and 568 units of public housing have been reclaimed through redevelopment and rehabilitation. In addition, over the last three years we've reduced the number of homeless seniors living on the streets by 63%, and created a more effective method to prevent homelessness before it starts by establishing the new Boston Homelessness Prevention Clearinghouse.

As we move forward toward establishing our next set of goals, I'd like to thank the members of the Advisory Panel, many of whom have served tirelessly for both *Leading the Way* and *Leading the Way II*; my Cabinet chiefs, past and present; the BRA, the BHA, DND, the Inspectional Services Department, the Budget Office, and the Emergency Shelter Commission; the staff of these agencies, who work hard every day to ensure that the needs of the community are being met; and last, but certainly not least, our partners in the nonprofit and private development communities, without whom we could not have accomplished so much in the past seven years. We look forward to our continued collaboration to lead the way to the future of Boston.

Sincerely,

A handwritten signature in green ink that reads "Thomas M. Menino". The signature is fluid and cursive, with a large, sweeping initial "T".

Thomas M. Menino, Mayor
City Of Boston



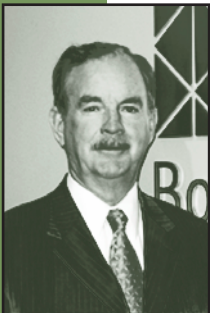
***Charlotte Golar Richie, Chief of Housing and Director
Department of Neighborhood Development***

The Department of Neighborhood Development (DND) is responsible for the management of all Federal and State grants for community development and housing, as well as the delivery of most City-generated affordable housing funds. Additionally, DND manages the sale of all foreclosed and surplus City-owned property. Its primary role in ***Leading The Way II*** is to support the creation and preservation of housing affordable to low- and moderate-income households. During ***Leading The Way II***, DND managed more than \$433 million in new affordable housing development, creating 1,416 new units of housing, 86% of which was below-market affordable housing, and supported the preservation of more than 2,500 units of affordable rental housing and the renovation of more than 1,100 owner-occupied homes.



***Sandra B. Henriquez, Administrator/CEO
Boston Housing Authority***

The Boston Housing Authority (BHA) is responsible for the operation of over 13,000 units of public housing representing more than 26% of all assisted housing in Boston. The BHA also administers the Federal and State rental assistance programs that house another 12,600 households in Boston. More than 4,600 of Boston's homeless were housed through these programs during ***Leading The Way II***. Additionally, the BHA's role in ***Leading The Way II*** was to preserve its existing stock of low-income housing through renovation or redevelopment. A total of 688 units of housing were created or preserved, representing a \$183 million investment in the public housing stock.



***Paul L. McCann, Acting Director
Boston Redevelopment Authority***

The Boston Redevelopment Authority (BRA) serves as the planning and economic development agency for the City of Boston and is responsible for overseeing all major development that occurs in Boston. Its primary role in ***Leading The Way II*** was to support the creation of privately-produced housing as well as ensuring that this new development included affordable housing through the Inclusionary Development Policy. The BRA also raised resources for affordable housing including \$17.5 million from its property sales and secured almost \$10 million in funding commitments through the Inclusionary Development Policy. During ***Leading The Way II***, the BRA oversaw \$2.6 billion in private housing development creating more than 6,900 units of housing including more than 700 affordable inclusionary units.

Leading the Way II

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EXECUTIVE SUMMARY

Leading The Way II was launched in 2003 to build upon on the success of the original *Leading The Way* campaign. *Leading The Way* ran from 2000-2003, and saw the permitting of more than 7,600 new units of housing, including over 2,100 affordable units. In addition, the Boston Housing Authority reclaimed and reoccupied virtually all of its vacant public housing. The success of *Leading The Way* proved that working from a clearly articulated goal-driven policy was a strategy that produced results.

Leading The Way II covers the four-year period from 2003-2007. With a goal of permitting 10,000 new units of housing, 2,100 of which would be affordable, and to preserve 3,000 units of at-risk rental housing. *Leading The Way II* also added new goals, including an expansion of the City's efforts to house its homeless, and new initiatives to preserve neighborhoods under threat of disinvestment. As we near the June 30th end of the campaign, and begin the planning the City's housing policy for the next five years (*Housing Boston 2012*), we are preliminarily reviewing how well the City has met the stated goals of *Leading The Way II*:

HOUSING PRODUCTION

10,484 new units have been permitted; 2,111 of those are affordable units. This is the equivalent of adding the entire housing stock of the Hyde Park neighborhood to Boston. A total of \$3.3 billion was invested in new housing, including \$467 million in City-sponsored affordable housing developments. City-assisted developments alone created 1,249 new affordable units or 60% of all new affordable housing. To create these affordable units, \$49 million in City resources was used to leverage another \$418 million in public/private resources. The Inclusionary Development Policy created 709 affordable units without any public resources or 34% of all new affordable housing.

COMBATING HOMELESSNESS

Over 4,600 homeless households were housed through the Boston Housing Authority's prioritizing of the homeless in its housing and rental assistance programs. The new homelessness campaign promised by *Leading The Way II* was launched in November 2005 and included a new initiative to develop single person occupancy housing for homeless individuals, a new Boston Homelessness Prevention Clearinghouse, and an initiative to help seniors living on the streets get into permanent housing. Of the \$10 million fundraising target for these initiatives, \$9.4 million has been raised to date. 128 single person occupancy units have been permitted, with another 360 in the pipeline. The number of seniors living on the streets is down by 63% since 2004, and more than 200 families have averted homelessness with the help of the Clearinghouse.

HOUSING PRESERVATION

3,322 units of at-risk affordable housing were preserved, exceeding the 3,000-unit target. 2,205 units of Federal and State-assisted housing were preserved. At a cost of \$150 million, the BHA preserved 568 units of public housing through redevelopment and rehabilitation of existing units.

PRESERVING NEIGHBORHOODS

To keep neighborhoods strong through the recession, the City used a 3-part strategy: 1) keep abandonment down; 2) create new homeowners and preserve the ones we have; and 3) promote reinvestment by homeowners. Abandonment is down 32%. 802 first-time buyers bought a home with the assistance of the Boston Home Center. A new \$100 million foreclosure prevention initiative was launched in 2006. Over 1,100 homeowners have invested more than \$20 million in home improvements with City assistance.

I. INTRODUCTION

At the January 1999 State of The City address, Mayor Thomas M. Menino acknowledged that the economy was growing faster than the housing supply and pledged the full commitment of his administration to address the resulting shortage. He pledged to double housing production in 1999 to 2,000 new units and created a new cabinet level position, Chief of Housing, to ensure this goal was met. Following this achievement, Mayor Menino convened a diverse panel of housing experts to help the City craft a longer-term comprehensive housing strategy. In the fall of 2000, *Leading the Way*, was announced.

Leading the Way promised to up housing production in Boston with a goal of creating 7,500 new units in three years, as measured by building permits issued. 2,100 of those units would be below-market affordable units. A new Inclusionary Development Policy was put in place making market-rate housing developers include affordable units in their projects. All remaining vacant public housing units would be renovated or redeveloped and reoccupied. Over 4,300 units of federal and state-assisted housing at risk of being lost to expiring affordability restrictions would be saved. Abandonment would be cut in half, returning 188 houses to productive use. \$30 million would be raised to support these initiatives from the sale of City assets, such as the former Boston Police Headquarters.

When *Leading the Way* concluded in 2003, all major goals had been met. 7,664 new units of housing had been permitted, of which 2,167 were affordable. More than 4,700 units of federal and state affordable housing had been preserved. Almost all vacant public housing units had been reclaimed with the remainder to be completed within a year. Residential abandonment was cut by 35%. For the first time ever, a line item in the City's budget for affordable housing development was created and \$30 million had been raised for a new *Leading the Way* fund. A new Inclusionary Development Policy was implemented that required new market-rate housing developments to reserve 10% of their units as affordable housing. Recognizing the strength of a clearly articulated, goal-driven strategy, the decision was made that a successor to *Leading the Way* should have those same measurable targets, but would represent an even broader commitment to the housing issue. Despite the increases in housing production during *Leading the Way*, the market in 2003 was still out of reach for most Bostonians, where it took an income of \$105,000 to afford the average home - double the income of the average Boston resident.

Leading the Way II reflected many of the same goals as the previous strategy. Over a four-year period, Boston would: add 10,000 new units of housing, 2,100 of which would be below-market; preserve 3,000 units of affordable rental housing; raise \$25 million to support these efforts; and expand efforts to end homelessness. However, *Leading the Way II* went beyond its predecessor. In 2002 and 2003, Greater Boston

lost over 100,000 jobs, and the risk of neighborhood disinvestment was growing. One of the biggest threats to neighborhood stability during the early 1990's had been the proliferation of foreclosures, a problem that *Leading the Way II* promised to preemptively address with new prevention initiatives. Homeowners would be encouraged to invest in their property with easily-accessible home improvement assistance programs. Abandonment would continue to be driven down despite contrary economic forces.

Consistent with the *Leading the Way* principle of clear and measurable performance goals, this report documents the results of *Leading the Way II* as we near the end date of June 30, 2007. This report shall not be considered the final report on the success of the *Leading the Way I-II* strategies, however. A final report will be issued later in 2007.

II. OVERALL HOUSING PRODUCTION

A central goal of both *Leading the Way* plans has been to support the production of new housing at all price levels to accommodate growing demand. For *Leading the Way II*, that target was the permitting of 10,000 new units. As of March 31, 2007, we have already exceeded our goal with 10,484 units having been permitted. As indicated on *Chart 1*, 85% of these units are from the private development industry and 15% are the result of the Department of Neighborhood Development (DND) and Boston Housing Authority's (BHA) sponsored development. 55% of these units are complete. Only 10% are permitted but have yet to begin construction.

Chart 1 TOTAL HOUSING PRODUCTION	
SOURCE	PERMITTED 3/31/07
PRIVATE	8,948
DND/BHA-ASSISTED	1,536
TOTAL	10,484

ECONOMIC IMPACTS OF HOUSING PRODUCTION

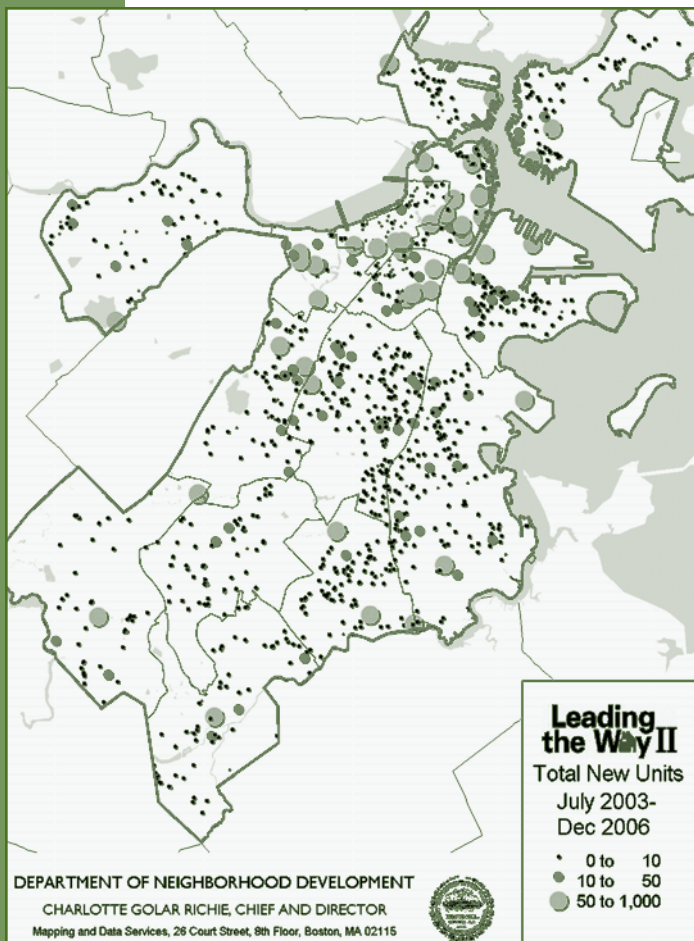
Beyond the benefits of providing increased housing opportunities for households of all income levels, this new housing production has provided significant benefits to Boston's economy. The development of these units translates into \$3.3 billion of private and public investment in Boston. Using the economic model developed by the National Association of Homebuilders, we estimate that over a five-year construction period from 2003-2008, 9,300 jobs in the construction and real estate

industries were created as a result of these investments. Another 4,400 jobs were also created as those construction industry wages are spent in the local economy. Additionally, the 10,484 new households that move into these units will add an estimated \$860 million in annual spending power to Boston's local economy.

TARGETED HOUSING PRODUCTION INITIATIVES

As part of the *Leading the Way II* housing campaign, the City has been deliberate in expanding particular types of housing opportunities that were most in demand in each neighborhood as shown in the map to the left.

Downtown Housing. The Boston Redevelopment Authority (BRA) has encouraged the creation of new higher-density housing in the downtown area as a





Trilogy Development - Fenway/Kenmore

way of bringing new residents and new life to the downtown core. During *Leading the Way II*, Boston's Central neighborhood (including Downtown, Waterfront, North End and Chinatown), had 1,641 new units permitted, more new housing added than any other neighborhood in Boston. Its housing stock has increased by 11.5% in the last four years alone. Increasingly, downtown Boston is becoming a new, and lively 24-hour community.

Institutions and Housing. One of the City's priorities has been to work with the university community to provide more on-campus housing for its students. This additional student housing

will translate into more private housing becoming available for the non-student population as students leave off-campus apartments for the new dorms. During *Leading the Way II*, 908 dorm beds were permitted, freeing up an estimated¹ 227 apartments in the market. Responding creatively to the City's request to provide housing for its students and faculty, Harvard recently purchased a block of units in the Trilogy development in the Fenway neighborhood.

Smart Growth Housing. The City has embraced the principles of smart-growth in its development planning. In addition to its downtown housing strategy, the City has promoted transit-oriented development projects such as the Carruth Building at the Ashmont T station, and the Jackson Square redevelopment plan. These projects incorporate relatively higher-density residential development and commercial space in conjunction with transit line nodes.

Green Building Technology. In September 2003, Mayor Menino convened the Green Building Task Force to develop strategies to incorporate more green building and energy-efficient design into new development in Boston. On January 10, 2007, a new zoning amendment took effect that requires all new large-scale development in Boston be certifiable under the LEED standards² established by the U.S. Green Building Council. The Boston Housing Authority and Trinity Financial incorporated several green and healthy public housing technologies



Carruth Building - Ashmont MBTA Housing



McCallen building - South Boston
1st Major Green Residential building in Boston

into the design and construction of Maverick Landing, a new 396 unit mixed-income community in East Boston. In April 2007, one of the first major privately funded residential developments utilizing extensive green technologies, the McCallen Building in South Boston was completed. Recently, the Department of Neighborhood Development (DND) was awarded \$2 million from the Massachusetts Technology Council to incorporate green technologies into even more of its affordable housing developments.

MODERNIZING THE DEVELOPMENT PERMITTING SYSTEM.

In developing the *Leading the Way II* plan, the City acknowledged concerns from the development community about the complexity and length of the development permitting process. While much of the time spent in the permitting process mandated by the City's Article 80 Community Review Process is critical to ensure a full and appropriate level of community involvement in development planning, it was determined that there were other steps in the permitting process that could potentially be streamlined. As such, the City undertook a comprehensive analysis of all the steps needed to get a building permit for small and large housing developments in 2004. Ultimately, this review indicated that while there were certainly an enormous number of steps in the permitting process, virtually all of them were necessary to conform with the various City and State laws that govern development.

However, the City realized that while few steps could actually be eliminated, enormous gains in time and effort could result if the systems were more automated, and if certain reviews were carried out concurrently rather than consecutively. To that end, the Inspectional Services Department contracted with systems development experts Hansen Systems to develop a new, automated system for managing not just the building permitting system, but also all of the other functions of ISD, such as health and housing inspections.

Currently the building permitting system is being developed. It will integrate not only the various functions of ISD, but it will also connect to all of the other City agencies that regulate development in Boston. The system should be operational by 2008.

III. AFFORDABLE HOUSING PRODUCTION

With home prices at a level out of reach for people with incomes under \$105,000 and average asking rents at levels requiring an income of more than \$60,000, producing affordable housing for those priced out the market was a central goal of *Leading The Way II*. This new affordable housing would need to address a broad range of needs - from the homeless to the priced-out middle class. Reflecting the breadth of Boston's housing needs, many strategies were used, ranging from creating units for the middle class (incomes up to \$90,800 for a three-person family) without use of public funds through the Inclusionary Development Policy, to producing new affordable homeownership housing for moderate-income homebuyers (income under \$59,600 for a three-person family), to creating single person occupancy housing for the homeless.

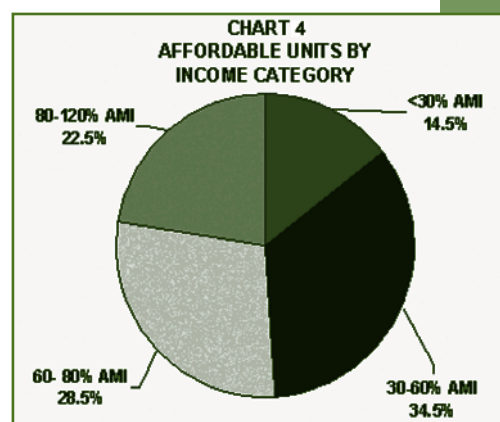
To ensure that new housing would be affordable to a range of income groups, the City established some affordability goals where at least 75% of new affordable units had to be available to moderate-income households earning less than \$59,600 for a family of three (under 80% of Area Median Income). No more than 25% of the affordable units would be reserved for middle-income households with incomes between \$59,600 and \$90,800 for a family of three (80%-120% of Area Median Income).

As shown on *Chart 2*, as of March 31 2007, we have already achieved the target with 2,111 affordable units permitted. As can be seen on *Chart 3*, 56% of those units are complete and occupied and only 6% have yet to start construction.

Recognizing that a vibrant city is one that welcomes people at all income levels, the *Leading The Way II* plan includes strategies for providing housing to households throughout the income spectrum. As *Chart 4* indicates, there has been a relatively broad distribution of affordable units across income levels with the largest share going to those with incomes between 30% and 60% of Area Median Income (\$22,800 - \$45,400 for a three-person household). The 307 units in lowest income category (under \$22,800 for a three-person household) are set aside for the homeless or those most likely to become homeless. Most of the units for the highest income category are the result of the City's Inclusionary Development Policy and therefore had no public funds involved in their production. With 23% of the total number of affordable units, these middle-income units represent less than the 25% maximum share established in the *Leading The Way II* plan.

CHART 2 AFFORDABLE HOUSING PRODUCTION	
SOURCE	PERMITTED 3/31/07
DND/BHA-ASSISTED	1,249
PRIVATE-INCLUSIONARY	709
OTHER NON-PROFIT	153
TOTAL	2,111

CHART 3 CONSTRUCTION STATUS OF NEW AFFORDABLE HOUSING	
STATUS	AS OF 3/31/07
COMPLETE	1,185
IN CONSTRUCTION	801
PRE-CONSTRUCTION	125
TOTAL	2,111



IV. METHODS USED TO PRODUCE AFFORDABLE HOUSING

The ways that affordable housing units were created range from something as small as helping a first-time homebuyer build a new home on a City-owned lot to large-scale redevelopments of aging public housing developments. By using a broad range of strategies, the City was able to pursue development options that are best suited for the communities in which we build. The BRA, with its inclusionary development powers, would be primarily responsible for producing units affordable to moderate to middle income households; DND, with its federal, state and city housing resources would focus on producing housing for lower income people and the BHA would primarily focus on preserving its existing stock of housing for the very poor.



Labore Rental Development Project
18 Affordable Rental Units for Elderly
South Boston

DND/BHA-ASSISTED AFFORDABLE HOUSING

The **Rental Development Program** provides funding for larger-scale multifamily rental development. It represents the largest source of affordable housing units, creating 859 affordable units or 41% of all affordable housing production. This program has the greatest affordability level of all programs, with 94% of its units being affordable to lower-income tenants with incomes under 60% of Area Median Income (\$45,400 for a three-person household). In addition, 85% of the units set aside for the homeless are produced through this program. These homeless-targeted units are produced through supportive housing development specifically for the homeless as well as a set-aside for the homeless of 10% of the units in all assisted rental developments of 10 or more units. 67% of all City-controlled funds spent on housing production during *Leading The Way II* went to this program that serves primarily low-income renters.

The **Homeownership Development Program** produces the next largest number of City-assisted units, representing 12% of all affordable housing production. Through its **Home Again Program**, the City builds infill homeownership housing that enhances the fabric of the surrounding community. Groups of City-owned parcels in close proximity are packaged and sold at nominal prices to for-profit and non-profit developers. City and State funds are used to make these homes affordable to primarily moderate-income purchasers earning under \$59,600 for a three-person household (80% of area median income). A key feature of this program is an emphasis on design that



Home Again - Norwell and Whitfield Streets
Dorchester

complements the neighborhood. Features such as dormers, porches and ornamental shingles, design elements rarely seen in the affordable housing of previous generations, are now routinely incorporated into **Home Again** developments. In addition to small in-fill housing, the Homeownership Development Program supports the development of affordable condominiums in larger scale developments such as ArtBlock in the South End that provides 26 affordable and 28 market-rate live-work condominium spaces for artists.



ArtBlock, the former Bates School - South End

In total, 258 affordable units were created, of which 71% were affordable to households under 80% of area median income, and the balance were affordable to people between 80% and 100% of area median income (under \$75,700 for a three-person family). 26% of all City-controlled funds spent on housing production during **Leading The Way II** went to this program that serves primarily moderate-income first time homebuyers.

The **Boston Housing Authority** developed 396 new units at its Maverick Landing Development. Of those 396 units, 282 affordable units were for returning Maverick tenants and are reported as affordable housing preservation. Another 23 affordable units were available for new tenants and were rented to tenants from the BHA homeless priority list. The remaining 91 units represented the market-rate units in Maverick Landing to provide greater income diversity in the development. This development was the national winner of the 2006 Best Affordable Housing Development from [Affordable Housing Finance Magazine](#). The fundamental design concept removed the monolithic superblock of the old Maverick site and restored the historic street pattern, reconnecting the site to the surrounding community and providing both visual and physical connections to its magnificent waterfront.



Maverick Landing HOPE VI redevelopment
- East Boston

The **Homeowner Services Program** provides assistance to homeowners to renovate properties and to build homes on City-owned land. A total of 77 new affordable units were created through its three housing-production initiatives. The **BuildHome Program** offers City-owned sites to first time homebuyers to build themselves a home. With discounted land prices and extensive technical assistance in finance and

design, these owner-builders are able to build high-quality homes that are affordable and a positive addition to their communities. During the *Leading The Way II* period, nine such homes are complete or in construction, and another 10 homes are planned for 2007 or 2008 starts. The ***Vacant Unit Program*** provides assistance to low-income homeowners, mostly seniors, to help them reclaim rental units in their



BuildHome 61 Wentworth Street
Dorchester

homes that had become uninhabitable because the owners could not afford to keep them up. In exchange for the City's assistance, the owner agrees to charge affordable rents for 20 years. Since 2003, 56 affordable apartments have been created through this program. Finally, the ***Residential Development Program*** makes City-owned abandoned houses available to first-time homebuyers at nominal prices, and provides funding to write down the costs of construction to a level that the property is affordable to a moderate-income buyer. The strength of the real estate market has meant fewer properties than ever were lost to tax foreclosure, and just six properties were renovated through this program.

INCLUSIONARY DEVELOPMENT AND PRIVATELY-PRODUCED AFFORDABLE HOUSING

A total of 862 affordable units were produced without financial aid from the City of Boston. The two ways these units are produced are through the City's Inclusionary Development Policy and through non-profit developers that are able to raise the resources they need from non-City sources.

The City's **Inclusionary Development Policy** (IDP) was a very significant producer of affordable housing units and resources during *Leading The Way II*. With 709 affordable units produced, more than one in every three affordable housing units created in Boston was under the auspices of the policy which requires 13% of the units in private residential developments of 10 units or more to be set aside as below-market affordable housing, as a condition of getting zoning relief from the City. Half of these IDP-created affordable units must be moderate-income units (incomes of up to \$59,600 for a three-person family); the other half are reserved for middle-income households (80% - 120% area median income, between \$59,600 and \$90,800 for a three-person family). This program represents the primary mechanism through which middle-income units produced and accounted for 71% of all middle-income units produced during *Leading The Way II*. Middle-income families constitute 28% of Boston's households, most of which are priced out of the homeownership market.

The other 29% of the middle-income units came from non-profit and DND-sponsored developments and consumed only 6% of the City's resources to produce. 92% of these City-sponsored middle-income units were targeted to the lower part of the middle-income range (under 100% area median income).

In addition to the on-site units created through the IDP, approximately \$10 million in payments-in-lieu-of-units (Cash-Out Option) were committed from projects permitted during the Leading the Way II period.

The Policy has been greatly strengthened during the *Leading The Way II* period. In February 2005, to better reflect the cost of producing an affordable unit, the Cash-Out Option amount was increased from \$52,000 to \$97,000. After a further comprehensive review of the IDP in early 2006, several other changes were made. First, the Cash-Out Option for homeownership units was changed from a fixed number to a sliding scale. This new scale is equivalent to 50% of the difference between a unit's market value and the price of building an affordable unit on-site, or \$200,000, whichever is greater. Rental projects are all required to pay \$200,000 per affordable unit, but payments are now spread out over seven years.

The affordability levels for the on-site units were also changed in the 2006 reworking of the Policy. In recognition of the fact that Boston residents have, on average, much lower incomes than the Metro area, the income targeting of the IDP units was increased, especially for rental units. Rental units that had been affordable to households with incomes as high as \$90,800, would now be made affordable to

households with incomes of \$51,600 for a three-person family. Homeownership units that had been set at prices affordable to households earning as much as \$90,800, would now have to be affordable to households earning no more than \$67,100.

From time-to-time affordable units are created by **Unassisted Non-Profit Developers**. These projects are generally supported through fundraising and do not get City resources. For



With 36 affordable units, Midway Studios had the largest number of on-site inclusionary units of any project in *Leading the Way II*



Moreville House - Elderly housing
Fenway/Kenmore

example, Morville House in the Fenway was able to complete a 29-unit expansion of their existing 147-unit elderly housing development without needing to come to the City for resources. Likewise, Pine Street Inn was able to buy and convert a building at 459 Park Drive into a 22-room facility for homeless individuals without City funding.

**RESOURCES USED IN PUBLICLY-ASSISTED
AFFORDABLE HOUSING DEVELOPMENTS**

There were 1,536 units of housing produced in 132 projects that were assisted by the DND and the BHA. These projects had 81% of their units set aside as affordable units and cost a total of \$467 million million to build.

As can be seen in *Chart 5*, the largest single source of funding for affordable housing comes from private equity and debt (typically bank loans) that represent 37.6% of development costs. The next largest source of funding (26.9%) comes from the equity raised through Federal and State

CHART 5 RESOURCES USED IN PUBLICLY-ASSISTED HOUSING DEVELOPMENTS		
Source	Amount	% Total
Federal Entitlement Grants to Boston	\$24,407,341	5.2%
City Of Boston	\$24,596,778	5.3%
Federal Competitive Grants	\$15,434,755	3.3%
Federal McKinney Grants	\$1,281,250	0.3%
BHA & HOPE-VI	\$15,088,938	3.2%
State Housing Programs	\$51,336,209	11.0%
MassDevelopment	\$530,000	0.1%
MassHousing	\$21,675,412	4.6%
Mass Housing Partnership	\$3,573,366	0.8%
Philanthropic/Fundraising	\$5,532,333	1.2%
Federal Home Loan Bank	\$2,274,801	0.5%
Tax Credit Equity (Fed & State)	\$125,586,318	26.9%
Private Equity & Debt	\$175,700,315	37.6%
TOTAL	\$467,017,817	100.0%

tax credit programs such as Low Income Housing Tax Credits, State Housing Tax Credits, Historic Tax Credits and New Markets Tax Credits. The State housing programs, such as the Affordable Housing Trust, Neighborhood Stabilization Fund, Facilities Consolidation Fund, Transit Oriented Development Fund, Housing Innovations Fund and State Home Funds provided over \$51 million towards Boston's affordable housing agenda. With a combined total of over \$49 million from its entitlement grants and locally-raised resources, the City's total investments are the fourth largest source of capital for affordable housing production.

V. HOUSING THE HOMELESS

The public housing stock and the Section 8 Housing Choice Voucher programs continue to be the primary means by which Boston houses its homeless. As can be

CHART 6 HOMELESS HOUSED THROUGH BHA July 1, 2003 - Mar 31, 2007	
PROGRAM	As of Mar 31, 2007
PUBLIC HOUSING - ELDERLY	449
PUBLIC HOUSING - FAMILY	1,811
SECTION 8	2,147
MASS RENTAL VOUCHER	214
TOTAL	4,621

seen from *Chart 6*, over 4,600 homeless priority households were housed from July 2003 through March 2007 as a result of the BHA's prioritization of homeless households for its public housing and rental assistance programs.

To make further progress on housing its homeless, *Leading the Way II* promised an expansion of the City's efforts in this area. While in *Leading the Way I*, the City depended primarily on reoccupying long-vacant public housing units to create new housing opportunities for the homeless, by the time *Leading the Way II* started in 2003, most of those vacant units were reclaimed, and the City needed to seek other means to house its homeless. On November 5, 2005, Mayor Menino, along with the City's Emergency Shelter Commission and DND, announced its new and expanded strategy to address homelessness. The strategy launched three new initiatives: 1) a new Single Person Occupancy development initiative to house the homeless individuals that make up 51% of the homeless population; 2) a Street Seniors Initiative to help match up the growing number of seniors living on the streets with permanent housing, and; 3) a Homelessness Prevention Clearinghouse that would create a single location where people at risk of losing their apartments could call or come for help.

BOSTON HOMELESSNESS PREVENTION CLEARINGHOUSE.

In 2006, the Boston Homelessness Prevention Clearinghouse opened at the offices of the Metropolitan Boston Housing Partnership. This center, funded over three years with \$1,000,000 from the City and another \$1,000,000 from the Paul and Phyllis Fireman Foundation, provides for the first time a coordinated approach to preventing homelessness. Clients who come to the center for assistance will have access to not only the services of the Clearinghouse itself, but also to 35 other homelessness prevention services operating in Boston. Since its opening, the Clearinghouse has been contacted by more than 350 households, and has provided emergency funds to preserve the tenancies of over 200 families and individuals that were facing potential homelessness.



Mayor Menino at the opening of the Boston Homelessness Prevention Clearinghouse, 2006

STREET SENIORS INITIATIVE

One of the more distressing outcomes of the City's 2004 Homeless Census was the rise in the number of seniors that were living on the streets -- 77 people 55 years and older were living in the streets in 2004. This represented over a quarter of the unsheltered homeless. As part of the new homeless strategy announced in 2005, Citizen's Bank provided a grant of \$180,000 over three years to fund an Elder Street Homeless Initiative. A Coordinator is working to enhance the links between street outreach teams and supportive housing providers to help unsheltered elders find permanent housing. In the December 2006 survey of the homeless, there were only 28 seniors living on the streets. This represents a 63% decrease in the number of seniors living on the streets.



Gatehouse - 14 Unit Single Person
Occupancy development for the Homeless
- South End

SINGLE PERSON OCCUPANCY INITIATIVE

The *Leading the Way II* plan recognized that with rooming houses throughout Boston being converted into apartments and condominiums, and public housing serving primarily families and the elderly, there are increasingly few housing options for very low-income individuals other than Section 8 vouchers. To address this shortfall of housing options, the City launched a Single Person Occupancy (SPO) housing development initiative in 2005. This initiative has 128 units permitted to date and another 360 units in the development pipeline. Of those 128 units, 109 are specifically set aside for the homeless or those most at risk for becoming homeless, 18 for the working poor, and there is one market rate manager unit. To date, 57 units are complete and occupied, 38 are in construction and should be complete before the end of 2007 and 33 units recently pulled their permits and should be ready for occupancy in early 2008.

OTHER HOUSING FOR THE HOMELESS

In addition to the 109 units for the homeless created through the SPO Initiative, new units for the homeless are also being created through other means. 119 new units for the homeless were created through DND's homeless set-aside requirement where 10% of the units in all DND-assisted rental developments of 10 units or more are reserved for the homeless. The BHA created 25 new units for the homeless through its property renovations and redevelopments. Along with 54 new units of transitional/family housing created by homeless service providers, a total 307 new units for the homeless were created during *Leading the Way II* as shown on Chart 7.

Additionally, since 2004, the City, along with the homeless service community, has been directing a greater share of the federal McKinney funds to support permanent housing. These efforts have enabled 106 homeless individuals find permanent housing in the open market.

CHART 7 NEW HOMELESS UNITS PERMITTED	
TYPE	AS OF 3/31/07
SPO	109
HOMELESS SETASIDE	119
TRANSITIONAL/FAMILY	54
BHA	25
TOTAL	307

RESOURCES FOR HOMELESSNESS INITIATIVES

A key element of the expanded homelessness housing effort of *Leading the Way II* was a commitment to raise new resources, with a target of \$10 million to be committed toward the new homelessness initiatives, half coming from the City and half from private sources. As can be seen in *Chart 8*, the City has, so far committed to this initiative \$4.8 million in funds that it controls, private contributors have put in \$4.6 million. Together these funds have leveraged another \$3.9 million of Tax Credit equity, \$7.8 million from other State and Federal sources, and \$1.8 million in bank loans.

CHART 8 RESOURCES FOR NEW HOMELESS INITIATIVES						
INITIATIVE	City Funds	Private Funds	Tax Credit Equity	Other Public Funds	Private Debt	TOTAL
Homelessness Prevention Clearinghouse	\$1,000,000	\$1,000,000				\$2,000,000
Street Seniors Initiative		\$180,000				\$180,000
Single Person Occupancy Initiative	\$3,811,925	\$3,461,042	\$3,923,619	\$7,826,419	\$1,843,304	\$20,866,309
TOTAL	\$4,811,925	\$4,641,042	\$3,923,619	\$7,826,419	\$1,843,304	\$23,046,309

VI. PRESERVATION OF AFFORDABLE RENTAL HOUSING

Since its inception in 2000, the *Leading the Way* strategy has put a great emphasis on the preservation of the existing stock of affordable rental housing. Boston has a stock of 24,250 units of federally-assisted rental housing, many of which are or will be at-risk because of expiring use restrictions. In addition, there are another 13,000 units of federal- and state-funded public housing for which chronic under-funding of maintenance and capital needs puts these units at-risk as well. Even a 4% loss of this stock to physical distress or to expiring use restrictions could effectively offset all of the new affordable rental housing that was created in *Leading the Way II*.

The *Leading the Way II* plan established a target of preserving 3,000 units of affordable rental housing through several means: 1) preserving at risk units with expiring federal/state affordability restrictions; 2) preserving public housing through renovation or redevelopment; 3) preserving privately-owned affordable housing in physical or financial distress; and 4) preserving unregulated privately-owned properties that house lower-income tenants through acquisition, rehabilitation and financial restructuring by a non-profit. As shown on *Chart 9*, a total of 3,322 units have been preserved through March 31, 2007.

CHART 9 PRESERVATION OF AFFORDABLE RENTAL HOUSING	
PRESERVATION TYPE	Units as of Mar 31, 2007
STATE/FEDERAL EXPIRING USE	2,205
PUBLIC HOUSING	568
RENTAL ACQUISITION	105
OTHER PRESERVATION	444
TOTAL	3,322

EXPIRING USE PROPERTIES

The *Leading the Way II* plan identified 2,746 units of federal and state-assisted housing as potentially at-risk by the end of 2007. To date, the City and its partner in this effort, the Community Economic Development Assistance Corporation (CEDAC) have been able to preserve 2,205 federal and state units and another 521 units are working on preservation strategies that should be executed before the end of 2007. To broaden the City's ability to preserve these units, the City lobbied for state legislation that would have given local government and community-based housing groups the ability to purchase any expiring use property where the owner was planning to convert the property to market rate. Although not successful in the 2006 legislative session, there is a similar bill currently at the State House for the 2007-2008 session.



Westland Avenue.
A 96-unit expiring use property
purchased by the Fenway CDC

PUBLIC HOUSING

With much of its housing stock more than 50 years old, the Boston Housing Authority, like housing authorities across the

country, has a inventory of housing that is deteriorating and increasingly expensive and difficult to maintain. Much of its older stock predates current standards for housing quality and needs modernizing. Built long before accessibility standards for people with disabilities existed, much of the BHA's stock was not accessible.

In *Leading the Way I* (2000-2003), the BHA focused on renovating or redeveloping its developments that were so deteriorated that many of the units were not only vacant but also uninhabitable. With much of that task completed or in construction by the end of *Leading the Way I*, the BHA turned its attention to renovating or redeveloping its fully occupied properties for *Leading the Way II*, as well as renovating units to the standards required by the Americans with Disabilities Act (ADA). In addition to the Maverick redevelopment that was completed in 2006, the BHA started demolition in early 2007 for the rebuilding of the 55 year old Franklin Hill public housing development in Mattapan. The BHA has renovated 172 units to meet ADA standards, at a total cost of \$24 million. The BHA has also preserved another 396 units of affordable public housing through renovations or redevelopments, at a total cost of over \$125 million. In total, 568 public housing units were preserved.



Rendering of the redevelopment of Franklin Hill public housing - Mattapan

In the face of continued operating and capital funding shortfalls, the BHA has spent considerable time and effort over the past year looking beyond the conventional federal capital program in order to develop creative investment strategies for badly needed and long overdue capital repairs. The Authority has recently issued a draft Approach to Preservation, laying out several initiatives that will generate more than \$150 million for critical repairs within public housing communities over the next decade. The report also identifies significant additional private investment for redevelopment. Strategies include Capital Bond Financing to accelerate access to capital funds for immediate needs, public-private partnerships to secure funding for redevelopment projects, Energy Performance Contracting to leverage private sector funding for systems and other energy-related upgrades, and maximizing the use of Project-Based Section 8 to help preserve some elderly/disabled sites.

RENTAL ACQUISITION

One of the new strategies planned for *Leading the Way II* was an initiative to help non-profits acquire unregulated rental properties that currently house lower-income tenants. The non-profit would renovate and financially restructure the property to ensure affordability for the tenants long into the future. The City set a target of 300

units for this new initiative. As it turned out, there were few suitable properties coming onto the market and local non-profits were not able to acquire properties in the numbers the City had anticipated, resulting in 105 units being preserved. Adams Court in Mattapan was the only major purchase, with a total of 95 units.

OTHER RENTAL HOUSING PRESERVATION

There were another 444 units of affordable rental housing preserved during *Leading the Way II* that were not in any of the preceding categories of rental preservation. 176 of these units were in buildings that were assisted by DND with deleading. Every rental unit that is assisted with lead abatement funds must also enter into a 5-year affordability agreement to protect existing tenants. Another 268 units were preserved in non-profit owned properties that were not at risk because of expiring use restrictions, but were at risk because of financial or physical distress.

VII. PRESERVING NEIGHBORHOOD STABILITY

One of the elements of *Leading the Way II* that differentiated it from *Leading the Way I* was an increased emphasis on preserving neighborhood stability. With an economic recession underway by 2003 in which Greater Boston had lost 110,000 jobs between 2002 and 2003, the City wanted to be sure that the neighborhood gains made during *Leading the Way I* were not lost to rising foreclosures, abandonment or disinvestment. By 2003, there were already early signs that there was lower reinvestment going on in the neighborhoods with an 18% drop in renovation permits from 2001 to 2003.

REDUCING ABANDONMENT

While the number of abandoned houses in Boston is very small compared to most other major cities, and had been dropping rapidly over the past several years (see *Chart 10*), a slowing economy in 2003 held the potential for reversing that trend. In *Leading the Way II*, the City committed to maintaining the downward trend despite the less favorable economic environment. The City established a target of reclaiming 130 of the remaining abandoned houses. As can be seen in *Chart 11*, 162 abandoned houses were renovated, but another 107 were newly abandoned³. As a result, the City was successful in maintaining the downward trend in abandonment with a 32% reduction in residential abandonment.

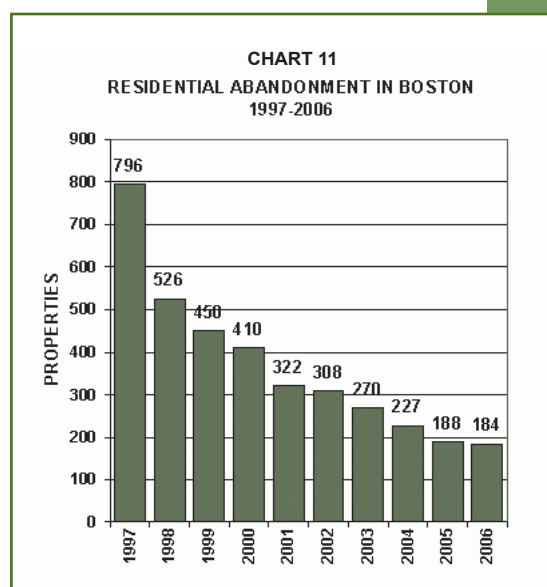
The problem of abandoned houses is almost entirely located in the private market at this point, with the City of Boston owning only 2.7% of the current abandoned stock. With house values so high, even abandoned properties have significant value and owners are not currently allowing properties to go to tax foreclosure. Those homes that do end up in the City's hands through foreclosure are generally made available to first-time homebuyers by DND. During *Leading the Way II*, six abandoned properties have been or are being reclaimed through this program.

CREATING AND PRESERVING HOMEOWNERSHIP

One of the factors that make for strong neighborhoods is a core of homeowners that are invested in the long-term success of their community. Increasing homeownership not only strengthens the financial security of the homeowners themselves, but also strengthens the community in which they live. Consequently, the *Leading the Way II* strategy put a strong

CHART 10
RESIDENTIAL ABANDONMENT IN BOSTON 2003-2006

ACTION	PROPERTIES
INVENTORY 2003	270
- RENOVATED 2003-2006	162
- DEMOLISHED 2003-2006	31
+ NEWLY ABANDONED 2003-2006	107
INVENTORY 2006	184

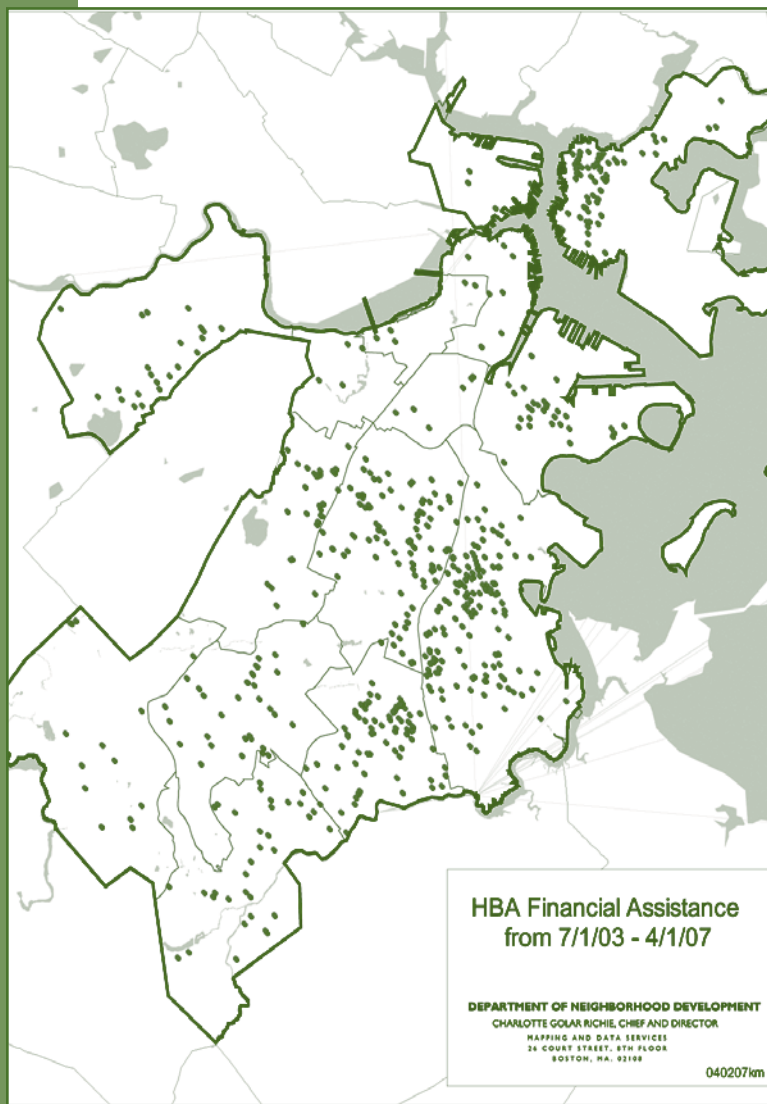


emphasis on increasing the homeownership rate in Boston. To achieve that goal, the City employed a two-part strategy: 1) to retain homeowners by preventing foreclosures resulting from the growing presence of high-cost and predatory loans; and 2) to create new long-term homeowners by providing financial assistance with downpayments and technical assistance to be sure those new buyers get a good loan at a fair price.

Creating New Homeowners

During the *Leading the Way II* period, the City helped create 804 new homeowners through its financial and technical assistance programs and by ensuring that resales of City-funded affordable units went to income-eligible first-time homebuyers.

While this map shows that homebuyers were located in virtually all of Boston's neighborhoods, purchases were primarily located in neighborhoods where house prices were more likely to be within reach of an income-eligible homebuyer.



Foreclosure Prevention

In 2003, amid a still-roaring housing market and home foreclosures at near-record lows in Boston with only 43 foreclosures in 2003, it may have seemed incongruous to have made foreclosure prevention such a high priority for the *Leading the Way II* plan. However, since the City began its Don't Borrow Trouble campaign in 1999 to warn homeowners and homebuyers of the perils of many of the new sub-prime loan products being offered to consumers, the City could see the seeds of a foreclosure boom being sown. As soon as the market cooled, the ability to refinance or sell to get out of a bad loan would disappear, and homeowners with these bad loans would end in foreclosure without intervention. By the end of 2005, that scenario was beginning to become a reality, as foreclosures had jumped 60.



Worried about paying
your mortgage?
Call the Boston Home Center
at 617.635.HOME
before it's too late.

Don't Borrow Trouble

Boston Home Center

Freddie Mac

Thomas M. Menino, Mayor
City of Boston
Charlotte Galar Richa, Chief & Director
Department of Neighborhood Development

Don't Borrow Trouble - Foreclosure Prevention Billboard

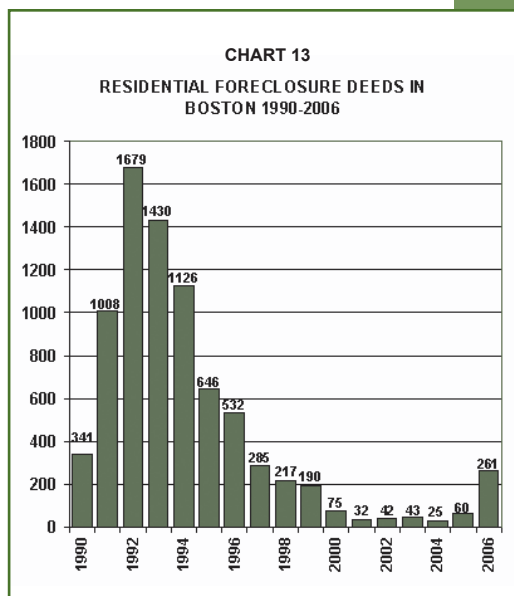
In the fall of 2006, the City launched an expanded foreclosure prevention initiative including a network of non-profit foreclosure prevention counselors, and a \$100 million commitment from six First Choice Lenders⁴ to help refinance people out of

bad loans that could lead to foreclosure. In early 2007, Mayor Menino, with the help of many in Boston's legislative delegation, filed State legislation that would create a statewide network of foreclosure prevention counselors, require truthful labeling on all mortgage offers about the cost of the loan for the first ten years, help establish an emergency loan fund, and rein in the deceptive tactics used by some mortgage originators.

To date, Boston's long-term focus on foreclosure prevention is paying dividends. As can be seen on *Chart 12*, homebuyers that come through the Boston Home Center have had a foreclosure rate much lower than the overall market. While some of this lower rate can be attributed to the fact that homeowners in general are less willing to let a property go to foreclosure, it is primarily because Boston Home Center buyers know where to find a good loan at a fair price and rarely take on risky or unaffordable loans. In addition, all homebuyers and homeowners assisted by the City are given extra protection against high cost and predatory lenders through a requirement that any assisted homeowner must get approval from the City before refinancing or taking on a second mortgage. About 150 homeowners per year are steered away from bad loans this way.

Last year, the number of foreclosure notices statewide exceeded the previous record set in 1992 during the recession of the early 1990s. In 2006, foreclosure deeds in Boston reached 261. As visible in *Chart 13*, while that number still represents a significant increase from 43 foreclosures in 2003, it remains far below the 1,679 foreclosures recorded in 1992.

CHART 12 FORECLOSURE RATES 1995-2006		
ACTION	BOSTON HOME CENTER BUYERS	TOTAL MARKET
TRANSACTIONS	4,415	94,849
FORECLOSURES	24	2,403
FORECLOSURE RATE	0.54%	2.53%

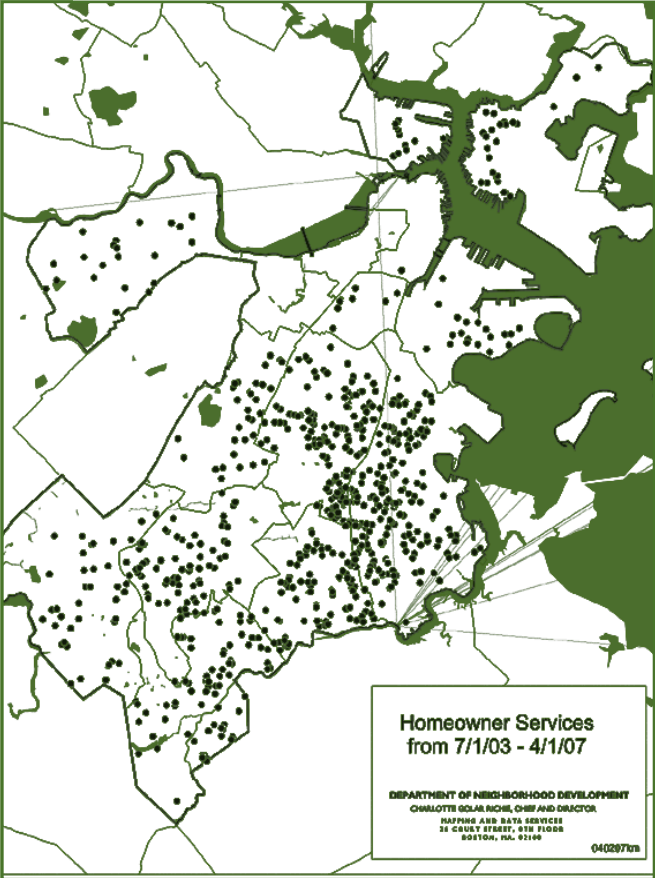


PROMOTING REINVESTMENT BY HOMEOWNERS

Investment by homeowners in their properties can have a major impact on the stability of a neighborhood. Where there are a lot of properties that are not well-maintained, values of all properties in the area can be affected, and that can lead to even more disinvestment. The recession that started in 2002 could have easily started a cycle of self-reinforcing disinvestment, undermining all of the gains made by Boston's neighborhoods since the end of the last recession in the mid-1990s.

To prevent this from happening, the *Leading the Way II* plan set an ambitious target of renovating 2,000 homes, by expanding the home improvement incentives offered by the City. Building on its very popular HomeWorks home improvement program, in 2004 DND launched the HeatWorks program that provides assistance to homeowners that want to replace broken or outdated heating systems. In 2005, DND launched the PaintWorks program that offered grants of up to \$1,000 and 1% interest financing to help homeowners to make more visible exterior improvements.

CHART 14 HOMEOWNERSHIP INVESTMENT JULY 1, 2003 - MAR 31, 2007		
PROGRAM	HOMES RENOVATED	DOLLARS INVESTED
HOMEWORKS	415	\$4,236,072
SENIOR HOMEOWNER SERVICES	428	\$7,632,025
VACANT UNIT PROGRAM	46	\$5,049,447
HEATWORKS	79	\$321,779
PAINT WORKS	34	\$193,234
LEAD SAFE BOSTON	174	\$3,683,491
TOTAL	1,176	\$21,116,048



Many of DND's homeowner services programs are targeted to seniors, with services ranging from minor repairs to major renovations to bring vacant units back on line.

The Lead Safe Boston Program provides grants to property owners to assist in the cost of deleading their homes, especially where a child with elevated blood levels of lead lives.

As can be seen on *Chart 14*, a total of 1,176 homeowners have renovated their homes using the City's various home improvement incentives. A total of \$21.1 million of public and private dollars have been reinvested in Boston's neighborhoods through these programs. In addition to these homeowners, approximately 2,000 seniors have participated in the minor repair program.

The number of renovated homes is considerably below the 2,000-house target established in *Leading the Way II*. This is in part because the City was unable to get new funding from HUD for Lead Paint abatement for two consecutive funding rounds; curtailing our ability to deliver deleading at the rate we wanted. Additionally, the smaller incentive programs such as PaintWorks and HeatWorks have not been subscribed at rates originally anticipated.

VIII. WHAT'S NEXT?

Today we are seeing for the first time in over a dozen years, a cooling of the housing market in Boston, with prices in 2006 down 2% from the previous year. While this indicates that housing supply has finally caught up with the market demand as we have sought since *Leading The Way* began in 2000, this small decline still leaves the market well out of reach for the average Bostonian. It still takes an income of \$106,000 to afford the average house or condominium in Boston that currently costs \$382,000. That's more than double the Boston median income. The number of homeless in Boston continues to increase, despite the expanded efforts to reverse this trend. There are almost 6,000 more units of affordable rental housing that are potentially at risk by 2010.

So while Boston has accomplished a lot over the past seven years, there are still many important challenges that lay ahead. How do we keep housing prices in check so that more of our workforce can afford to live here? How do we reverse the growth in homelessness that is driven by a market where there is almost no housing on the open market that is affordable to low-wage earners? How do we keep from

losing ground in the stock of assisted housing when market values make it increasingly attractive for owners to opt out and go market rate? How do we prevent a wave of sub-prime lending and foreclosures from undoing the gains our neighborhoods have made over the past seven years? How do we raise new resources for affordable housing as non-recurring resources such as sales of municipal assets are exhausted?



To prepare for these and the other housing challenges that lie ahead, in April 2007, Boston is host to its first-ever national housing conference, *Housing Boston 2012: Strategies For High Cost Cites*. This conference will bring in experts from around the country with new ideas and approaches to housing. With the experience of seven years of *Leading The Way* and fresh approaches from other high-cost cites like Boston, we will start the process of creating a new housing strategy to take us to 2012.

ENDNOTES:

1. Estimated at 4 students per off-campus apartment.
2. Leadership in Energy and Environmental Design standards designed to decrease energy and water usage and costs, to improve efficiency and longevity of building systems, and to decrease burdens imposed on the environment and public health.
3. Abandoned buildings are surveyed annually by DND. A building is defined as abandoned if, at the date of survey, it appears to be vacant and has physical signs of distress. For the most recent abandoned buildings report, go to www.cityofboston.gov/dnd, and select the Reports and Maps feature.
4. The six participating First Choice Lenders are: Bank of America, Citizens Bank, Sovereign Bank, Boston Private Bank, Eastern Bank, and Mount Washington Bank.

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